

COMMUNITY EXCHANGE SYSTEMS (CES)
Registration Number 2008/024043/08

First Annual General Meeting
8 April 2010

DIRECTORS' REPORT

Introduction

The Company was registered as an Association incorporated under Section 21 of the Companies Act, 1973 of the Republic of South Africa on 13 October 2008. Guarantor Members of the Association are responsible for ensuring the continuity of the company. Directors are elected, from amongst the guarantor members, by these members, at an AGM.

The directors of the company for the financial year ended 28 February 2010 were:-

- *Tim Jenkin* – Co-founder of the un-constituted CES in 2003: chief programmer administrator of the CES and Ashoka Fellow.
- *Don Northcott* – Co-founder of the Cape Town Talent Exchange (CTTE) out of which the CES grew: steering committee coordinator of the CTTE during the foundation phases.
- *Dawn Pilatowicz* – Top trader, membership administrator and steward of the CTTE as well as being administrator for 12 other exchanges in South Africa.
- *Ken Meek* – Member of the CTTE from inception: a top ten trader and legal advisor to the CES.

Purpose

The purpose of the Company as described in the Memorandum of Association is to carry on **a community-based business development project.**

Objective

The **Community Exchange System (CES)** is a community-based exchange system that provides the means for its users to exchange their goods and services, both locally and remotely. It could also be described as a global complementary trading or exchange network that operates without money as it is commonly understood.

Phenomenal Growth of the CES

At inception the founder members of the CTTE envisaged that the complimentary exchange system, using a Talent as the unit of value, would ultimately benefit the under privileged communities in the townships surrounding Cape Town and that small businesses would join and trade within the system. To achieve this Tim set up a software program using a mutual credit accounting system. The original aims, still not fully achieved, provide the underlying motivation for establishing the CES as a section 21 Company. However it is the phenomenal growth of the CES, during the five years up until 2008, with its future challenges, that made it imperative to move into a more formal constitutional framework.

The successful software suite, originally designed to cater for one exchange of up to a thousand or so members, has been continuously modified and upgraded during the last seven years. It now serves close on 200 exchanges around the world with about 15,000

users. This Community Exchange System has been operating as a free service to all exchanges from a Web Server paid for in Talents by the administration of the CTTE. Software development and maintenance has in the past been done by a few dedicated people who have, willingly, contributed their own resources. However the major, ever increasing, burden of this work has been borne mainly by Tim. The challenge facing us now is to convert the software to open source and manage the process of setting up a Global Exchange platform of servers to cater for future worldwide expansion.

Township Involvement

Tim was awarded an Ashoka Scholarship for three years to further the objective of establishing CES trading in under-privileged communities. This source of support will, however, soon come to an end. Working in co-operation with the South African New Economics Foundation (SANE) during 2006-2008 attempts were made to establish Talent Exchange trading facilities in the Khayelitsha Township of Cape Town. This undertaking has only been partially successful but is continuing. Missives have gone out to: inter alia, the office of the Presidency, Western Cape Provincial Administration, City Council of Cape Town, the Industrial Development Corporation, Business Trust, the Consumer Goods Manufacturing Association and individual companies.

We are of the opinion that formal jobs in the townships are very unlikely to materialise in the quantity required and that any increase in local economic activity will have to come about by way of inter and intra community trading. Even though there is a tremendous amount of work that needs doing in the townships it is often left undone because there is never sufficient conventional money available. Our systems could play a vital role in alleviating this situation.

Two community currency pilot projects, carried out in the South Peninsula region of Cape Town, during 2004/05, have provided us with valuable insight. The first, highly successful Food for Work Program was managed by the Ocean View Development Trust and funded mainly by the Western Province Poverty Relief Fund. In this project approximately 200 participants in Ocean View and Masiphumelele worked in various, much appreciated, ways for their communities. The second, Auriga Enterprises project, in Masiphumelele, which grew out of the Food for Work project, was funded by SANE for a limited period. Despite their success both of these projects were discontinued as a consequence of promised funding not materialising.

Thus, from experience, we the founding directors of the CES Company are aware of the potential inherent in complementary exchange systems that can contribute towards the elimination of poverty. We are aware also of the success that grows out of self reliance and community cooperation and recognise that, in a time of major transition, it is necessary to build a bridge between the present economic system and the more just system of the future. Though we favour growth utilising our own internal resources, we recognise that to function successfully in underprivileged communities and to bring businesses into the system it is necessary to have National Currency back up, at least for an initial transition period.

Continuing & Future Development

1. Open Source Software

We are committed to placing the source code of the CES software in the public domain. This will allow the software to operate from multiple servers around the world, providing added capacity and security for the network. The original software, constantly evolving in response to users' requirements, is now a complex set of many features that has over the years demonstrated its durability and usefulness. Only Tim, the developer, fully understands the intricacies of the programming. He has been working for some time on the rewriting and has completed between 5 to 10% of the task. Progress has, however, been slow for two reasons: firstly because much of his time is taken up maintaining and developing new features on the existing system and secondly because of the need for simplification and documentation of the programming of existing features before converting them to open source.

To speed up the rewriting process a team of highly qualified programmers, able to build in all the security and convenience features required in a modern online trading system, is required. It is clear that such a team would need to be guided and managed by Tim. Our challenge is to create a reliable, efficient and professional system relatively quickly: a system, functioning reliably with 24-7 availability, using hardware and software capable of storing large volumes of data.

2. The GivenGain Donation system (www.ces.givengain.org)

GivenGain is an online, secure, donation website administered by a company based in Switzerland that also has offices in Stellenbosch near Cape Town. The CES has registered to receive donations in national currencies via GivenGain. At present four projects are described to which donors can contribute. These are:

- Project Manager and software (Open Source) rewrite
- CES Web Server
- Web hosting & Bandwidth
- 'Manna' – Ubuntu Living Show

Deposits in Rand (South African National Currency) into the CES Bank Account are held as collateral on behalf of the project to which the particular donation was made. The applicable project is then credited with the equivalent amount in Virtual Rand to be used as is appropriate through the CES trading systems. (See point 5 below 'Virtual Currency Interface' for more details).

Every effort will be made to spend the donated funds within the CES community so that everyone benefits. Professional brokers working for the CES will be used to promote and facilitate this process. Only when the required goods or services are not available within the CES, will payments be made from the CES National Currency bank account on behalf of the original recipient.

3. CES Web Server

Up until now the CES operates from a small web server belonging to an IT company with which Tim has connections, paid for in Talents that the company is prepared to accept. For various reasons this arrangement is becoming less and less viable.

A new state of the art web server is now urgently required due to the expansion of the user base. This new server will benefit all the existing exchanges currently using the CES and provide for further expansion in future. It is envisaged that this server will ultimately become part of a decentralised system of servers placed in different parts of the world.

4. Web hosting & Bandwidth

The CES rests on high tech computer systems and networks that were built using normal national fiat currencies and are still kept functioning using this money.

While we are constituted, and aim to, develop these systems in CES currencies, we need support in order to maintain the integrity of the existing system during the coming interim period of transition.

Just as the CTTE required dedicated support during its initial set up phase so the CES Open Source Global System now needs such support from the many visionaries who can grasp and understand the potential of complimentary currencies which promote cooperation and community rather than competition.

Please help us by contributing to a fund that pays for the storage of all the information from 190+ exchanges around the world to be stored on the fastest and most secure server systems in the world. (Insert links to funding avenues)

5. The Virtual Currency Interface

This feature was very recently added to the CES. It makes possible trading in the unit of the national fiat currency of any particular country. At present it is available only to users of the Cape Town Talent Exchange since it is still undergoing a pilot test phase before being made generally available to all exchanges. Thus 20+ users of the CTTE are at present successfully trading in Virtual Rand as well as in Talents.

The preferred method of becoming a Virtual Rand trader requires the user to deposit official Rand into the CES bank account at a regular bank. The user is then credited on a 1:1 basis with this amount of Virtual Rand which becomes collateral within the Virtual Currency trading system. It is thus not possible to go into debit within this system. It is however possible for any CTTE user to sell goods or services to any other Virtual Rand user who is in credit.

There are many advantages for businesses using this virtual currency interface such as the elimination of expensive transaction fees. Since the seller can instantly credit his account once goods have been delivered, cash flow problems could be avoided and interest payments on overdrafts eliminated. It is hoped that this method of trade will become attractive to businesses.

We envisage that this system might contribute significantly towards making projects within underprivileged communities viable and sustainable as a result of being supported by National Currency donations via systems such as GivenGain as described above.

6. Global Minutes system

A separate CES exchange called the Global Groups Exchange (GLOG) has been created that will serve as the 'central exchange' or 'exchange of exchanges' for the individual CES exchanges. These exchanges will be levied in much the same way as the individual users of each exchange, thus generating revenue for the central CES to maintain and develop the system. The GLOG exchange is a time bank with the Minute as its unit of account. GLOG will also serve as a 'savings bank' for those who wish to save their surplus credits. Their 'savings' being in time units will thus be safe from the ravages of inflation.

There are 11 other time-based exchanges on the CES that can trade with all other exchanges through an already existing mechanism of conversion rates.

At present it is possible for users of all exchanges, and administrators, to make donations to the CES in their particular units of exchange, which credit the GLOG account. At inception the Cape Town Talent Exchange utilised a donation system in Talents to derive revenue for the administration but it was not until the levy system on all trades was introduced that the administration was able to secure sufficient revenue to run the exchange from within.

One of the main developmental requirements for the coming year is to institute a workable levy system whereby all exchanges will contribute equally to the development of the CES.

7. Translation

Dawn has been helping Tim with the programming that makes it possible for certain top-level pages of the CES to be translatable into other languages. Any user can be designated as a translator, and if the default language is not English a footer appears at the bottom of translatable pages allowing the user to translate or correct the translations of the text appearing on the page. Thus the ongoing translation into about a dozen different languages is in progress.

8. Practical Projects in the Pipeline

Two types of practical project will be presented in this section as examples of the problem solving potential of complementary currency systems when appropriately implemented:-

- Those that are part of the system such as translations described in 7 above.
- Those that are geographically or otherwise more specific in character.

(i) [The Pie Squared Project \(PIE2\)](#)

This project is specific in that it is an invitation to industrialists with spare capacity in the formal economy (1st pie) to help grow the second economy (2nd pie). It provides a win-win opportunity for players in both the formal and second economies, including government, city and local councils.

- The formal sector will sell surplus or additionally produced goods for an alternative currency such as the Talent or a GLOG minute to the system as whole, to a specific exchange or to a designated township project (e.g. Food for Work).
- The company will use their complimentary currency as staff incentives, overtime or to donate to charities.
- Manufacturers and industrialists could contribute at different levels:-

Ordinary Participants providing goods from time to time;
Branded Participants committed to supplying a % of normal production
Founder Member Participants who help to set up and run Pie²

This project will require all the most modern systemic facilities to be successful hence the urgency for getting our hard and software systems upgraded.

(ii) [‘Manna’ – Ubuntu Living](#)

A 13 part 58 minute documentary series of video tutorials in self sufficient sustainable living, which was made using CES resources.

(iii) [Symbiotic Living Centre](#)

This is Dawn's dream of creating a sustainable future for herself and others utilising the CES to create a fully functional business.

(iv) **A Buddy system**

This project is already under way, where each new member ('bud') gets assigned a 'buddy', the person who recruited them, mentors them or looks after them. As each 'bud' earns, part of their transaction levies will be assigned to the 'buddy'. This encourages members to recruit new 'buds' and to ensure that they are earning via the system, as it creates a residual income for them.

Accounts

The first year's financials are available for perusal [here](#).

Web site and network structures

[This presentation](#) shows the current structure of the web site, listing the various functions available to users and administrators; [this one](#) shows the existing and proposed structure of the global network.

Charter

We have created [an agreement](#) or charter to be signed between every exchange and the CES.

Approved: _____

Date: _____